

SCHEDULE 2

EMPIRICAL ANALYSIS OF LOCAL EXCHANGE

COMPETITION IN ILLINOIS

I. INTRODUCTION

Competition in Illinois has been growing exponentially in the last several years, both in terms of the sheer numbers of lines being attracted away from Ameritech to competitive providers, and in terms of the diversity of competitive offerings. In Schedule 3, I profile several of the most important CLECs in Illinois and their diverse strategies, capabilities, and offerings. In this schedule, I quantify the development of local exchange competition in Illinois in the last several years, using data on actual line losses, UNE loop counts, resale lines, and other data provided by Ameritech and other sources. The analysis considers the magnitude and the growth in both facilities and non-facilities based competition in Illinois. I examine the growth in resold loops and UNE loops from December 1997 to March 2000 and show that the expectations of the Telecommunications Act of 1996—that competition would progress from resale, to UNE-based, to pure facilities-based—are clearly realized in the data. I examine the business market separately from the residential market to the extent the data will allow, since the markets do have economically different characteristics, the players are sometimes different, and the policy interests are different for the two groups. In addition, I felt it was important to evaluate not only the magnitude of competition in Illinois, but the geographic diversity of it as well. If CLECS are providing, say, half a million lines in Illinois today (and I will present an estimate that is of that order of magnitude), the interpretation of that figure would differ depending on whether all those lines are in Chicago, or are dispersed around the state. In order to quantify the geographic

coverage of competitive offerings, I present an analysis known as “addressability.” Addressability, which I will explain in detail below, is a means of summarizing wire-center-specific data to quantify the *reach* of competitors to where the customers, lines, and revenues are in the market. The data show the following facts about the market in Illinois:

- ?? Competition is now moving into a more mature phase in which resale is being replaced by UNE-based provision of services, and UNE-based service are being migrated to carriers’ own facilities.
- ?? Competition is dispersed around the state and throughout all access areas. Facilities-based competition has become nearly ubiquitous in the entire Ameritech Illinois region; is absolutely ubiquitous in access area A; and is transitioning most rapidly to facilities in access area B. Growth in geographic dispersion of services is most rapid in access area C.
- ?? CLECs’ competitive inroads are coming not only from new “growth” lines in the market: CLECs are eating into Ameritech’s installed base. Ameritech’s retail business line count has *fallen in absolute numbers* by over 100,000 lines in the last year.
- ?? CLECs are actively investing in their own facilities. We know that they have substantial fiber networks in the Chicago area and also in some downstate areas, and they have installed 62 switches in Ameritech Illinois’s service territory. Data on minutes terminating from CLEC networks to Ameritech’s network support the conclusion that facilities-based provision of services is growing exponentially.

In Illinois there are three regulatory-defined access areas: access area A consists of six heavily trafficked wire centers located in and around the Chicago business district (i.e., the “Loop”);¹ area B consists of 37 wire centers in or adjacent to the Chicago city limits; and area C consists of 235 downstate Illinois wire centers.

Summary statistics on the economic activity in each access area are presented in Figure 1. The Figure clearly identifies access area C as the largest of the three areas in terms of *total* lines and *total* revenues. Access areas A and B, however, contain a higher than average concentration of local loops and generate greater than average revenues per wire center than area C. For example, access area A represents just 2.16 percent of Ameritech Illinois wire centers, but 20.37 percent and 12.12 percent of Ameritech Illinois UNE loops and UNE loop revenues, respectively. In contrast, access area C accounts for 84.53 percent of Ameritech Illinois’ wire centers and only 47.54 percent and 59.19 percent of Ameritech Illinois UNE loops and UNE loop revenues, respectively.

A noteworthy observation is that lack of proportionality between the percentage of Ameritech Illinois access lines, UNEs and resale loops and the percentage of revenues they generate. For example, UNE loops in access area A account for 20.37 percent of Ameritech Illinois’ statewide total, but a significantly smaller 12.12 percent of the carrier’s statewide UNE loop revenues. This disproportionality is, of course, influenced by the fact that retail and wholesale rates in access area A are priced substantially lower than those in areas B or C. In fact, Ameritech Illinois’ UNE rates in access area A are among the lowest priced in the country. An offsetting effect is that one would expect a higher proportion of high capacity loops to be

¹ The following six wire centers comprise access area A: Canal (CHCGILCL), Franklin (CHCGILFR), Dearborn (CHCGILID), Lakeshore (CHCGILLR), Superior (CHCGILSU), and Wabash (CHCGILWB).

purchased in access area A than in B or C, and this would tend to increase the revenue per loop in A.

II. UBIQUITY AND GROWTH IN UNE LOOPS AND RESALE ACTIVITY

Competitive activity in Illinois, as measured by resold lines and UNE loops, is ubiquitous. Figure 16 presents a map identifying the Ameritech Illinois wire centers in which one or more resold line and/or UNE loop are present. The map provides a remarkable picture of how widespread competition has become throughout the state. The manner in which this state of affairs developed is described in detail in this section.

Figure 2 provides a graphical representation of the growth in business and residence resale and UNE loops statewide, and in each of the three access areas. The time period of analysis is from December 1997 to March 2000. It is important to note that, for purposes of presenting conservative measures of the CLECs' competitive presence in Illinois, no adjustments were made to the UNE data to account for the various UNE products purchased by CLECs. For example, a digital grade T-1 UNE loop was treated as equivalent to a standard 2-wire copper loop.²

What is clearly apparent from these schedules is that UNE growth is far outpacing that of resale statewide, and in each access area. During the 15-month period from December 1998 to March 2000, the number of business and residential resold lines increased by 25 percent overall (business resale increased by 19 percent and residence resale increased by 46 percent). In contrast, between December 1998 and March 2000, UNE loops increased from 19,731 to

² In March, 2000 there were over 18,000 loops purchased in March 2000 (approximately 15 percent of the total unadjusted UNE loop count) that were of a bandwidth greater than the standard 2-wire voice grade loop.

119,725, an overall increase of 507 percent during that period. Moreover, this phenomenon – that UNE growth is dwarfing resale growth – is observed in all three of the Illinois access areas.³

These results are consistent with the intent of CLECs and anticipation of the Illinois Commission; namely, that CLECs will utilize resale as an entry vehicle and then migrate their customers from resale to their own facilities. In a previous Order the Illinois Commission explicitly recognized this transitory, yet integral, role of resale in facilitating facilities-based competition:

[T]he Commission also is cognizant that new technology and innovation in the actual service provisioning will take place only as facilities-based competition evolves—although pure resale competition should not be written off just because it may not be as beneficial as facilities-based competition. Wholesale/resale competition will put competitive pressure on both retail rates and quality of service. *Wholesale/resale competition is also a first step in an evolving marketplace that will eventually involve more facilities-based competition.*⁴ (Emphasis added)

Further review of Figure 2 reveals another remarkable pattern. In access area A, UNEs have grown so fast as to overtake resale as the dominant mode of competitive provision between the two. As of March, 2000, there were 24,383 UNE loops and 15,619 resold loops in area A. In access area B, UNEs gained substantial ground on resale, growing by over 1,200 percent from December 1998 to March 2000, compared with an 36 percent increase in resale during

³ **Area A:** resale increased from 15,237 lines in December 1998 to 15,619 in March 2000, an increase of about 2 percent; UNE loops over this time period increased from 5481 lines to 24,383 lines, an increase of 345 percent. **Area B:** resale increased from 32,890 lines in December 1998 to 44,565 in March 2000, an increase of 36 percent; UNE loops over this time period increased from 2849 lines to 38,428 lines, an increase of 1249 percent. **Area C:** resale increased from 110,002 lines in December 1998 to 137,780 in March 2000, an increase of 25 percent; UNE loops over this time period increased from 11,401 lines to 56,914 lines, an increase of 399 percent.

⁴ ICC Order in Dockets 95-0458 and 95-0531, (Consol.), June 26, 1996, pp. 5-6.

this time frame. The growth in UNEs in access area B was by far the greatest of all three access areas. As of March, 2000 there were 38,428 UNE loops and 45,565 resold loops in area B.

The numbers clearly suggest that carriers are in fact migrating customers from resale to facilities. In order to examine this more closely, we looked specifically at the wire centers in which resale has actually declined. Between December 1998 and March 2000, 33 Ameritech Illinois wire centers experienced a decline in resale activity; the overall decline in these wire centers was approximately 9,700 lines. In contrast, UNE activity in these 33 wire centers increased by over 18,000 lines. These results further demonstrate that service is moving from resale to facilities-based provision.

Figure 3 presents a slightly different perspective on UNE growth than does Figure 2. Figure 3 presents the statewide monthly growth in UNE loops and highlights the exponential growth of UNE loop demand in Illinois. The growth in demand for Ameritech Illinois' UNE loops for the 15 months from December 1998 to March 2000 averaged 12.80 percent *per month*. During the same period, Ameritech's retail business access lines *fell* by 105,146. Clearly, CLECs are eating away at Ameritech's market using, in part, Ameritech's UNE loops.

The analysis I am presenting is only part, and perhaps a small part, of the competitive picture in Illinois, even restricting the analysis to conventional, land-line service. The analysis is based on information provided by Ameritech. Ameritech does not have data on CLEC service that is provided entirely over the CLECs' own facilities. Reliable data on such services is not publicly available anywhere to my knowledge. For that reason, the Illinois Commission recently required CLECs to provide data on their own facilities-based service, in the context of the (still-ongoing) Illinois Commerce Commission Docket No. 98-0860. In that Docket, 14 Illinois CLECs provided, under subpoena, year-end 1999 data on their resale and facilities-based activities in Illinois. Ameritech was provided by Commission Staff with a summarized version of

that data that preserved the anonymity of the carriers. Based on the summary data, my colleague Dr. Debra Aron, who testified in that proceeding, was able to estimate the total number of CLEC lines provided in Illinois at the end of 1999. She estimated that CLECs in Illinois were providing 542,688 lines to customers in Illinois at the end of 1999, of which more than half, 285,116, are provided in forms other than resale.⁵ This is a very conservative estimate because not all of the Ameritech region was at issue in that docket with regard to residential service, and carriers were instructed to limit their responses to only the 19 downstate exchanges at issue in that proceeding when supplying their estimates of their residential service. It is not known whether they in fact did so.

III. GEOGRAPHIC DISPERSION OF COMPETITION IN ILLINOIS

In order to examine the geographic dispersion of competition, I provide a competitive statistic known as “addressability.” Addressability refers to the percentage of Ameritech retail lines (or retail revenues) that are served out of wire centers in which CLECs are *actively providing service*. We consider several ways of measuring whether CLECs are actively providing service, and we break the analysis down into resale service, and facilities based service. For resale addressability, for example, we say that a carrier is actively providing residential service in a wire center if it is currently supplying at least one residential line via resale out of that wire center. Since there might be some anomaly that accounts for that one line, we also look at more stringent requirements, in particular, we provide alternative measures in which we say that a carrier is currently providing residential service in a wire center if it is providing at least 50 residential lines in the wire center, and we also set an even higher threshold at 100 lines.

⁵ For a count of resale lines, Dr. Aron used the numbers provided by Ameritech Illinois. For facilities-based lines, she used subpoenaed data provided by 14 Illinois CLECs. See, Ameritech Illinois, Exhibit 2.1, Rebuttal Testimony of Dr. Debra J. Aron and AT&T Cross Exhibit 1 (Shooshan).

I consider two measures of customer activity to measure addressability: (1) total Ameritech Illinois network access lines in a wire center; and (2) total retail revenues in a wire center associated with Ameritech Illinois network access lines. In addition, addressability is calculated based on three types of wire-center-specific CLEC activity: operational collocation;⁶ resale of Ameritech Illinois basic local exchange service; and purchases of UNE local loops.

To see how the addressability measure works, consider the following example. Suppose there are four wire centers, #1 has 1,000 residential lines, #2 has 2,000 residential lines, #3 has 5,000 residential lines and #4 has 4,000 residential lines. Suppose CLEC A is providing 600 residential lines via resale from wire center #1, CLEC B is serving 20 residential lines out of #2, and CLEC C is serving 80 residential lines from wire center #3. No carrier is currently serving any residential customers out of wire center #4. In this example, the addressability of Ameritech Illinois' residential access lines by resellers with 1 or more resold residential lines in a wire center is 67 percent (8,000/12,000); addressability by resellers with 50 or more resold residential lines in a wire center is 50 percent (6,000/12,000); and addressability by resellers with 100 or more resold residential lines in a wire center is 8 percent (1,000/12,000). The calculation of resale addressability for business customers is analogous, as is the analysis of UNE addressability and collocation addressability.

Notice that in the example, no customers are addressable out of wire center #4, no matter how large the carriers are in the other wire centers or how closely located #4 is to the other wire centers. We make no attempt to speculate on whether a carrier "could" serve wire center #4; if no one is serving there, the customers there are not considered addressable. Hence, the

⁶ As its title suggests, an operational collocation agreement is one in which the carrier has installed collocation facilities in the incumbent's wire center, and the incumbent carrier has satisfied all of its requirements under the agreement.

addressability approach is very conservative because it looks only at actual provision of service in a wire center. The addressability statistics presented in this schedule are disaggregated to the Illinois access area level.

A. Resale addressability

Currently, there are a total of 50 resellers in Ameritech Illinois' local exchange markets actively providing local services. That data show that 44 of the 50 carriers are serving residential customers via resale, while 36 carriers are serving business customers via resale. Facilities-based CLECs appear to be using resale to businesses as a way to build a customer base before their networks are operational. Once the networks are ready and a customer base is established, these companies typically migrate the resale customers to their own networks. The data show that 5 of the 50 resellers (including all of the large resellers) are also facilities-based carriers in Illinois.

Figures 4 and 5 present a detailed quantification of the availability of resale competition from December 1997 to March 2000 for business and residential customers in Ameritech's service territory in Illinois overall, and broken down into Access Areas A, B and C. Figures 6 and 7 summarize the present state of resale addressability in bar chart format.⁷ Two types of resale addressability are presented in these Figures, resale addressability of Ameritech Illinois' retail revenues and network access lines.

⁷ The statistics presented in Figures 4 through 7 reflect resale of Ameritech services only. In particular, they do not measure resale of facility-based CLEC and/or IXC services. Several CLECs offer their services for resale in their tariffs. See, for example, Focal Communications Corporation, Tariff IL. C.C. No.1, Section 2, Original Page 31 (Effective: May 14, 1997); and MFS Intelenet of Illinois, Inc., Tariff C.C. No.2, Section 2, Original Page 36 (Effective: May 31, 1995).

The data demonstrate that as of March 2000, fully 95.3 percent of Ameritech Illinois' retail business access lines and 96.3 percent of Ameritech Illinois' retail business revenues in Illinois were in wire centers in which there were at least 50 resold business lines. Similarly, in this same time period, 82.9 percent of Ameritech Illinois' residential access lines and 82.4 percent of Ameritech Illinois' residential revenues were in wire centers in which there were at least 50 resold residential lines. Moreover, the results indicate that resale is broadly available in all access areas. In Access Area C, for example, business resale addressability of Ameritech Illinois' retail business access lines and retail revenues at wire centers with at least 50 resold business lines was 92 percent and 93.8 percent, respectively. The resale addressability of Ameritech Illinois' residential access lines and revenues at wire centers with at least 50 resold residential lines was 77.6 percent and 75.9 percent, respectively, in access area C.

B. Facilities Based Competition

In this section I present several measures of availability of substitute services by facilities-based competitive local exchange carriers in Illinois. The first set of statistics measure the percentage of addressable lines and retail revenue in each Illinois wire center in which CLECs have one or more operational collocation agreements. A second set of statistics measure the extent to which competitors are present and providing services via unbundled local loops in Ameritech Illinois' service area. The final two measures of facilities-based competitive activity examine the number of CLEC switches that reside in Ameritech Illinois' service territory, and growth in the volume of traffic that terminate from CLECs' networks to Ameritech Illinois' network.

1. Collocation Addressability

When a competitor collocates in Ameritech Illinois' central office, it makes a financial investment to establish a facilities-based presence in the wire center. Collocation is a strong indication that

the collocated provider's backbone interoffice network extends to this central office. Hence, to provide local exchange service, a collocated provider need only access the end-use customer via unbundled loops or, if it chooses, via its own loop facilities. Because unbundled loops are available at regulated, cost-based rates, operational collocation in a central office is direct evidence of a competitor's existing, in-place facilities capable of providing switched local exchange service there.

For many CLECs in Illinois, collocation is an important component of their entry strategy. As described in Allegiance Telecom's most recent 10Q filing to the SEC:

Locating equipment at ILEC facilities, also known as "collocation," is central to the success of [Allegiance's market entry] strategy. By collocating, we have the ability to lease, on a monthly or long-term basis, local loop and other network elements owned by the ILEC. This enables us to reach a wide range of customers without having to build network connections to each one of them... We believe that [this method of market entry] allows us to reduce up-front capital expenditures to approximately 25% of the total capital expenditures required to develop such a network as compared with up-front capital expenditures of approximately 50% under traditional build-out models. (Allegiance Telecom, Inc., 10Q Report, May 15, 2000)

It is important to recognize that the use of addressability as a measure of competition, in particular, collocation addressability, is not a new concept. The FCC in its decision to introduce pricing flexibility in the interstate high-capacity access market adopted a similar collocation metric to the one I use in this report. The FCC metric measures service revenue addressable in wire centers with collocation.⁸ In granting "Phase I" relief (downward pricing flexibility for special access services), the FCC specified that the ILEC must demonstrate, among other

⁸ Federal Communications Commission, Fifth Report and Order and Further Notice of Proposed Rulemaking, FCC 99-206, August 5, 1999 ("*Pricing Flexibility* Order), ¶ 77.

things, that collocation addressability in the relevant geographic area equaled or exceeded 30 percent of revenue or that 15 percent of wire centers were collocated.⁹

Moreover, the use of collocation as a metric of competition is a conservative indicator of the availability of facilities-based substitutes. A collocated provider need not use UNEs to provide local exchange service, and, indeed, need not even be collocated in Ameritech's wire center. For example, a CLEC that is providing competitive access services using high capacity facilities that it self-supplies to the customer's premises can also provide local exchange services over the same facility. In such a case, the CLEC would purchase no unbundled loops from Ameritech Illinois, and may not be collocated in Ameritech's wire center. Now that the major competitive access providers, TCG and MFS, are owned by the major IXC's, AT&T and MCI WorldCom (respectively), I would expect that this avenue for providing local exchange services will become increasingly prevalent. Furthermore, these competitors already have extensive high capacity fiber networks in the Chicago LATA (as is described in the attached Schedule 3). This possible underreporting of facilities-based activity that may result from a collocation measure of competition is explicitly recognized by the FCC in its 1999 *Pricing Flexibility* Order.¹⁰

Figure 8 quantifies the magnitude of operational collocation in Illinois and Access Areas A, B and C from December 1998 to May 2000. Consistent with the other figures, Figure 8 presents

⁹ In this proceeding the FCC addresses two "phases" of pricing flexibility, Phase I (downward only) and Phase II (downward and upward). The use of addressability as applied to Phase I and Phase II pricing flexibility is for the most part identical, except the latter requires, among other things, a higher percentage (65 percent) of addressable revenue than the former (30 percent). See "*Pricing Flexibility*" Order, ¶ 148.

¹⁰ *Pricing Flexibility* Order, ¶ 95 ("We recognize, however, that evidence of collocation may underestimate the extent of competitive facilities within a wire center, because it fails to account for the presence of competitors that do not use collocation and have wholly bypassed incumbent LEC facilities...").

collocation addressability of both Ameritech Illinois' access lines and retail revenues. Figure 9 summarizes the current state of collocation addressability in bar chart format. As of May 2000, both the percentage of retail business lines and the percentage of retail revenues in Illinois that are in Ameritech Illinois wire centers with operational collocation are 95.3 percent. The percentage of total retail residential lines and revenues in wire centers with operational collocation are 92.4 percent and 92.5 percent, respectively. Moreover, collocation has been broadly pursued by CLECs throughout the state. In access area C, for example, the percentage of total retail business and residential lines in wire centers with operational collocation is 92 percent and 88.4 percent, respectively. These numbers demonstrate an extremely high level of availability of facilities-based competition in Illinois.

2. Unbundled Local Loop Addressability

Currently, there are a total of 14 carriers purchasing UNE loops from Ameritech Illinois. The provisioning of UNEs in Illinois is dispersed among all three access areas, with the vast majority of activity taking place in access areas B and C (80 percent).¹¹ Of the four largest purchasers, over 50 percent of this group's UNE loops serve customers in access area C, while their remaining activity is approximately evenly split between areas A and B. With respect to the next six largest UNE purchasers, the largest percentage of this group's UNE loops serve customers in access area B (43 percent), followed by area C (38 percent) and area A (19 percent). With respect to the remaining four UNE purchasers, approximately 64 percent of their UNE loops serve customers in access area C, 22 percent in area A, and 14 percent in area B.

¹¹ More specifically, UNE purchases in the three access areas are distributed as follows: access area A accounts for 20 percent of total UNE loop purchases (24,383 UNE loops); access area B accounts for 32 percent of total UNE loop purchases (38,428 UNE loops); and access area C accounts for 48 percent of total UNE loop purchases (56,914 UNE loops).

Figures 10 and 11 present the percentages of business and residence unbundled loop addressability, respectively, of Ameritech Illinois' access lines and retail revenues. Figures 12 and 13 summarizes the present state of UNE addressability in bar chart format. These schedules quantify the magnitude of business and residence retail local access lines and revenues addressable by CLECs purchasing unbundled loops from Ameritech Illinois on a statewide basis and in each access area from December, 1997 to March, 2000. The data used to compile these schedules do not identify the customer group CLECs are serving via UNE loops (i.e., business customers vs. residential customers).¹² The business UNE addressability statistics presented in Figures 10 and 12 and the residence UNE addressability statistics presented in Figures 11 and 13 are based on the total number of UNE loops in an Ameritech Illinois wire center, regardless of the loops' specific utilization. (The distinction between residential and business addressability refers to *Ameritech's* residential and business lines and revenues that are addressable by the UNEs in a wire center.)

The schedules demonstrate that between December 1997 and March 2000, the statewide percentage of Ameritech's business and residence local access lines and retail revenues in wire centers with at least one, 50, and 100 UNE loops increased dramatically. Moreover, access areas A, B and C each show growth in both business and residence unbundled loop addressability. For example, in access area C the percentage of addressable business local access lines and retail revenues at wire centers with at least 100 UNE loops increased by 236 percent (from 18.8 percent to 63.2 percent) and 263 percent (from 17.7 percent to 64.3 percent), respectively. Both the magnitude of these numbers and their rate of change

¹² It is our understanding that Ameritech does not have accurate data that identifies the customer group CLECs are serving via UNE loops. Under the present system, CLECs are given the option of voluntarily disclosing the type of customer that will be provided service via a UNE loop. This information, however, is not required, in that the UNE rate is the same regardless of the type of customer served by the CLEC. Moreover, there is no system in place to verify the accuracy of the information provided by those CLECs that voluntarily disclose customer type.

demonstrate a high level of availability of facilities-based competition that is growing at an extremely rapid pace in Illinois.

Overall, I believe that the biggest story told by this data is the remarkable increase in competitive facilities participation in access areas B and C. As of December 1998, access area A already had a substantial competitive presence, with 100 percent business resale addressability, 100 percent UNE loop addressability, and 100 percent collocation addressability. In addition, several competitors already had substantial fiber networks of their own in that area (as well as in access area B and portions of C), as I discuss in Schedule 3. In Access Area B, however, where UNE competition was nascent in December of 1997, the number of UNE loops now significantly exceeds even the number in Access Area A. My reading of these growth patterns is that competitors have begun bypassing Ameritech Illinois' network entirely and provisioning new customers in Access Area A onto the CLEC's own facilities; while in Access Area B, the CLECs are focused relatively more on moving out of resale and into UNEs as well as their own facilities. While resale addressability was virtually ubiquitous in Access Area B already in December 1998, UNE loop addressability has increased dramatically. More than 90 percent of Ameritech Illinois' business and residential lines in Access Area B are now in wire centers with at least 50 UNE loops.

Access Area C is also demonstrating remarkable growth in facilities-based competition. The largest absolute decrease in retail business lines provided by Ameritech Illinois occurred in Access Area C. The percentage point increases in UNE addressability in access area C were comparable to the increases in access area B. In addition, the largest absolute increase in UNE loops occurred in Access Area C.

3. CLEC Switches in Ameritech Illinois' Service Territory

Additional evidence on the extent of competition and the commitment of competitors to the Illinois market comes from the facilities investments CLECs have made here. Figure 14 contains a list of CLEC switches in Ameritech Illinois' service territory. The data derive from the February 1999 Local Exchange Routing Guide (LERG). While the data are somewhat dated (and therefore presumably understate the current number of switches), they offer a useful indication of the large number and dispersion of CLEC switches in Ameritech Illinois' territory. Consistent with the conservative methodology of our analysis, the figure does not include any CLEC switches that have the ability to serve customers in Ameritech Illinois' territory, but physically reside outside of this territory¹³. Figure 14 indicates that CLECs have installed 62 of their own switches in Ameritech Illinois' territory. In addition, the figure clearly demonstrates the dispersion of CLEC switches in the state and the areas in which CLECs presumably offer facilities-based local exchange services utilizing their installed switches.

4. Growth in CLEC Interconnection Minutes Terminating on Ameritech Illinois' Network

Another indicator of facilities-based local exchange competition is the growth in local traffic that originates on a CLEC's local exchange network and terminates on Ameritech's local exchange network. When a CLEC is providing local exchange service to its end users over its own or leased facilities, there will likely be a flow of local traffic between the carriers' networks. As a CLEC attracts customers and establishes a presence in the market one would expect the inter-network flow of traffic to increase. Therefore, growth in inter-network local traffic provides an indication of the growth of facilities-based CLECs' services and the CLECs' ability to provide competitive alternatives to Ameritech Illinois' local exchange service. Figure 15 presents the annual growth in inbound inter-network traffic that originates on CLECs' networks and

¹³ For example, McLeod owns a switch in Mattoon, Illinois, which is in the heart of McLeod's downstate territory, area surrounded by, but not in, Ameritech's service territory.

terminates on Ameritech Illinois' network from 1996 to 1998. Because these are inbound minutes only, they do not include traffic to ISPs served by CLECs. Nevertheless, the Figure demonstrates that the inbound traffic flow has approximately doubled in each year since 1996.

IV. CONCLUSIONS

The empirical evidence presented in this schedule indicates that Ameritech Illinois has incurred significant competitive losses to CLECs in the last several years. The phenomenal growth in UNE loops, relative to resale, strongly suggest that facilities-based competition is driving the majority of these losses. Ameritech Illinois' competitors have been and are continuing to build facilities in Illinois and transition their customers from a resale platform onto their own facilities. The magnitude of the addressability metrics and their rate of growth (in particular, collocation and UNE addressability) has been substantial. Each piece of evidence presented in this schedule supports the conclusion that CLECs are succeeding in the highly competitive Illinois local marketplace. Taken as a whole, the individual pieces of evidence show that competition in Illinois is multi-dimensional and robust. In fact, the exponential growth in facilities-based activities, uncovered by the collocation and UNE data, provide a strong indication that competition will not only continue but accelerate in the foreseeable future.

Figure 1
Percentage Comparisons of the Ameritech Illinois
Wire Centers in Access Areas A, B and C
(March 2000)

	Access Areas			
	A	B	C	Total
Percentage of Ameritech Illinois <i>Wire Centers</i>	2.16 %	13.31%	84.53%	100 %
Percentage of Ameritech Illinois <i>Retail Revenue</i>	13.21	32.08	61.33	100
Percentage of Ameritech Illinois <i>Network Access Lines</i>	7.31	30.66	62.04	100
Percentage of Ameritech Illinois <i>Resold Loop Revenues</i>	4.70	24.31	70.99	100
Percentage of Ameritech Illinois <i>Resold Loops</i>	7.12	20.98	71.90	100
Percentage of Ameritech Illinois <i>UNE Loop revenues</i>	12.12	28.69	59.19	100
Percentage of Ameritech Illinois <i>UNE Loops</i>	20.37	32.10	47.54	100

Source: Ameritech Illinois

Figure 15: Inbound Billed Minutes of Use (January 1996-December 1998)		
Year	Total Billed Minutes	Annual Growth
1996	93,693,253	-
1997	180,452,409	93%
1998	362,583,339	101%

Source: Ameritech Illinois